

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name AuTrain-Onota Public Schools	County Alger
Audit Date 6/30/05	Opinion Date 9/15/05	Date Accountant Report Submitted to State: 11/15/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Makela, Toutant, Hill, & Nardi, P.C.			
Street Address 201 W. Bluff Street		City Marquette	State MI
		ZIP 49855	
Accountant Signature <i>Makela, Toutant, Hill & Nardi, P.C.</i>			Date <i>11/15/05</i>

Audited Basic Financial Statements
Required Supplementary Information
And Other Financial Information

**AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT
DEERTON, MICHIGAN**

June 30, 2005

Audited Basic Financial Statements
Required Supplementary Information
and Other Financial Information

AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

June 30, 2005

Audited Financial Statements

Management's Discussion and Analysis.....	1
Report of Independent Auditors	7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet--Governmental Funds	11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes In Fund Balances--Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Notes to Financial Statements	15
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance--Budget and Actual--General Fund	26
Statement of Revenues, Expenditures, and Changes in Fund Balance--Budget and Actual--Special Revenue--Food Service Fund	27
Other Information	
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	28

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

Year Ended June 30, 2005

AuTrain-Onota Public School is a public school district located in Alger County, Michigan. AuTrain-Onota Public School is reporting its financial statements in accordance with the Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be a discussion and analysis of the financial activities for the fiscal year ended June 30, 2005. It should be read in conjunction with the enclosed financial statements.

Accounting principles generally accepted in the United States of America through GASB 34 requires the reporting of two types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

District-Wide Financial Statements

The District-Wide Financial Statements report information about the School District as a whole using the accrual basis accounting methods, which are similar to those used by private-sector companies. The two required district-wide financial statements are the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets includes all of the School District's assets and liabilities. The Statement of Activities includes all of the current year's revenues and expenditures that are accounted for regardless of when cash is received or paid.

Net Assets, the difference between the School District's assets and liabilities, are one way to measure a district's financial health or position.

- Over time, increases or decreases in a district's net assets are an indicator of whether its financial position is improving or deteriorating, respectively. The relationship between revenues and expenditures are the School District's operating results. However, the School District's goal is to provide services to the students, not to generate profits as private-sector companies do.
- To assess the district's overall health, one needs to consider additional non-financial factors such as the quality of education provided, the safety of the schools, and the condition of school buildings and other facilities.

The Statement of Activities reports the governmental activities for the school district.

- All of the School District's basic services are included here, such as instruction, supporting services, community services and food service. Property taxes and state and federal funding finance approximately 91 percent of these activities.

Fund Financial Statements

Fund Financial Statements are reported on a modified accrual basis, which measures cash and all other financial assets that are "measurable" and "currently available." Liabilities are recognized to the extent that they are expected to be paid with current financial resources.

The Fund Financial Statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the following fund types and related activities are defined as followed:

Governmental Fund Types

All of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the remaining balances at year-end. The governmental fund statements provide a short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps financial statement users determine whether there are more or fewer financial resources available in the near future to finance the School District's programs.

General Fund: The General Fund is the general operating fund and, accordingly, it is used to account for resources devoted to financing the general services of the School District except those accounted for in another fund.

Special Revenue Fund: The Food Service Fund is a special revenue fund and, accordingly, it is used to account for resources devoted to financing the food services program.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Summary of Net Assets (District-Wide Financial Statement)

The table below is a condensed Statement of Net Assets:

	June 30 2005	June 30 2004
Current assets	\$ 272,216	\$ 231,371
Noncurrent assets	205,213	221,737
TOTAL ASSETS	477,429	453,108
Current liabilities	48,665	77,235
Long-term liabilities	31,044	32,194
TOTAL LIABILITIES	79,709	109,429
Investment in capital assets, net of related debt	178,342	182,164
Unrestricted	218,046	161,515
TOTAL NET ASSETS	\$ 396,388	\$ 343,679

Statement of Activities (District-Wide Financial Statement)

The table below is a condensed Statement of Activities:

	2005	2004
Program Revenues:		
Charges for services	\$ 8,016	\$ 9,752
Operating grants and contributions	108,772	93,972
General Revenues:		
Local revenue, unrestricted	38,987	37,683
Property tax revenue, unrestricted	513,066	449,309
Proceeds from borrowing		53,600
Interest and investment earnings	4,206	1,756
TOTAL REVENUES	673,047	646,072
Program Expenses:		
Instruction and instructional support	299,389	293,378
Support services	265,025	290,799
Food services	30,518	27,836
Community service direction	10,225	7,180
Interest on long-term debt	1,504	179
Transfers to local district	6,811	
Depreciation unallocated	6,866	7,133
TOTAL EXPENSES	620,338	626,505
Change in net assets	52,709	19,567
Net assets at beginning of year	343,679	324,112
NET ASSETS AT END OF YEAR	\$ 396,388	\$ 343,679

During the fiscal year ended June 30, 2005, the School District's net assets increased \$52,709 or 15.3 percent.

Fund Balances (Fund Financial Statements)

The table below details the School District's governmental fund balances:

	June 30 2005	June 30 2004	Increase (Decrease)
General Fund	\$ 223,910	\$ 167,379	\$ 56,531
Food Service Fund	19	19	-
	\$ 223,929	\$ 167,398	\$ 56,531

The General Fund increased \$56,531 due primarily to increases in local property tax revenues, including recaptured tax revenues from homestead denials and an overall decrease in expenditures from the previous year because of the purchase of a new school bus in 2004.

Property Taxes levied for General Operations (General Fund Non-Homestead Taxes)

The School District levied 18 mills of non-homestead property taxes for General Fund operations. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable value increase for property is capped at the rate of the prior year's CPI increase, or five percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which approximates, 50 percent of the market value.

The School District's tax revenue for the 2004-2005 fiscal year was \$513,066.

Budget and Actual Revenues and Expenditures (Required Supplementary Information)

Over the course of the fiscal year, the School District's Board of Education revises its budget as it attempts to deal with changes in revenues and expenditures. As a matter of practice, the AuTrain-Onota Public School District amends its budget on a monthly basis, as needed, to account for state and federal grants and other funding. The June 2005 budget amendment was the final amendment for the fiscal year.

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The School District does not include any state or federal revenue in the original budget that is not confirmed as of the budget approval date in June of each year.

A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of the financial statements.

Revenue--Budget vs. Actual for the year ended June 30, 2005

	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Revenues Variance Final and Original Budget	Revenues Variance Actual and Final Budget
General Fund	\$ 540,518	\$ 647,242	\$ 653,018	\$ 106,724	\$ 5,776
Food Service Fund	\$ 16,675	\$ 19,804	\$ 20,026	\$ 3,129	\$ 222

Expenditures--Budget vs. Actual for the year ended June 30, 2005

	<u>Expenditures Original Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Actual</u>	<u>Expenditures Variance Final and Original Budget</u>	<u>Expenditures Variance Actual and Final Budget</u>
General Fund	\$ 586,407	\$ 581,010	\$ 577,852	\$ (5,397)	\$ (3,158)
Food Service Fund	\$ 29,792	\$ 30,454	\$ 30,518	\$ 662	\$ 64

The School District's actual expenditures differed from the final budget as follows:

- General Fund by \$3,158 or 5.4 percent less than the final budget.
- Special Revenue Fund-Food Service by \$64 or 0.2 percent greater than the final budget.

The decrease in actual expenditures for the General Fund is attributed to a purchased services cost actually being lower than the budget projections.

Original vs. Final Budget

REVENUES

The School District's final budgeted revenues differed from the original budget as follows:

- General Fund by \$106,724 or 19.7 percent greater than the original budget.
- Special Revenue Fund-Food Service by \$3,129 or 18.8 percent greater than the original budget.

The significant increase in revenue for the General Fund can be attributed mainly to Grants and an increase in property tax revenues, which were received as homestead denials. Grant revenues are recognized on the financial statements once the School District receives formal notice of the award and approval from the grantor. No grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. The increase in the Special Revenue Fund-Food Service can be attributed mainly to food sales and state and federal funding.

EXPENDITURES

The School District's final budgeted expenditures in the:

- General Fund was \$(5,397) or 0.9 percent less than the original budget.
- Special Revenue Fund-Food Service was \$662 or 2.2 percent greater than the original budget.

The slight decrease in expenditures for the General Fund can be attributed mainly to the prior year's capital expenditure for a new bus and also the current year decrease in special education purchased services, which are based on student needs. The small increase in expenditures for the Special Revenue Fund-Food Service can be attributed mainly to increased food costs.

Long-Term Debt

The School District's long-term debt decreased \$13,852 from \$44,896 to \$31,044 as detailed in the Notes to Financial Statements, Note G--Long-Term Debt.

Capital Assets

The School District has a total of \$205,213 invested in capital assets including land, buildings, and buses. A detail of the net investment in capital assets is presented in the Notes to Financial Statements, Note C--Capital Assets.

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Capital Assets	\$ 489,879	\$ 0	\$ 0	\$ 489,879
Less: Accumulated Depreciation	<u>(268,142)</u>	<u>(16,524)</u>	<u>0</u>	<u>(284,666)</u>
Net Investment in Capital Assets	<u>\$ 221,737</u>	<u>\$ (16,524)</u>	<u>\$ 0</u>	<u>\$ 205,213</u>

Currently Known Facts That May Have a Significant Impact on the School District's Future

AuTrain-Onota Public School District receives approximately 79 percent of its funding from non-homestead property tax revenues. The School District is considered out-of-formula and does not receive any per pupil foundation revenue from the State of Michigan. As a result, the operating revenues and expenses are not directly related to the student enrollment counts in September and February of each fiscal year.

The School District is aware that the State of Michigan is currently experiencing significant financial difficulties. The School District does rely on State grant funding and will be impacted by the state's economic hardship. The exact impact is unknown at the writing of this report.

Currently there are no approved, planned, or unreported capital projects, commercial development; residential development; litigation; or approved debt that will have a material impact on School District operations.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the School District's finances. If you have questions about this report or need additional information, contact the Business and Finance Office, of AuTrain-Onota Public School District at:

P.O. Box 105
N8790 Deerton Road
Deerton, MI 49822
(906) 343-6632



MAKELA, TOUTANT, HILL & NARDI, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

201 West Bluff Street
Marquette, Michigan 49855

Members
American Institute of CPAs
Michigan Association of CPAs

REPORT OF INDEPENDENT AUDITORS

Board of Education
AuTrain-Onota Public School District
Deerton, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the AuTrain-Onota Public School District, (District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the AuTrain-Onota Public School District, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.



-7-

Our goal is to help you meet yours!

◆ Phone: (906) 228-3600 ◆ Fax: (906) 228-3113 ◆ Wats: (800) 228-0554 ◆ E-Mail: mthn@mthn.com ◆

Board of Education
AuTrain-Onota Public School District

The management's discussion and analysis and budgetary comparison information on pages one through six and 26 through 27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Makela, Tautant, Hill & Nardi, P.C.

September 15, 2005

STATEMENT OF NET ASSETS

AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

June 30, 2005

	<u>Governmental Activities</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 245,448
Receivables:	
Due from other governmental units	26,466
Other	210
Inventory	<u>92</u>
TOTAL CURRENT ASSETS	272,216
NONCURRENT ASSETS	
Capital assets	489,879
Less: accumulated depreciation	<u>(284,666)</u>
TOTAL NONCURRENT ASSETS	<u>205,213</u>
TOTAL ASSETS	<u><u>477,429</u></u>
CURRENT LIABILITIES	
Accounts payable	\$ 2,594
Employee compensation and related liabilities	39,538
Accrued interest	378
Deferred revenue	<u>6,155</u>
TOTAL CURRENT LIABILITIES	48,665
LONG-TERM LIABILITIES	
Compensated absences	4,173
Installment loan payable--Due within one year	13,185
Installment loan payable--Due in more than one year	<u>13,686</u>
TOTAL LONG-TERM LIABILITIES	31,044
TOTAL LIABILITIES	<u><u>79,709</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	178,342
Unrestricted	<u>218,046</u>
TOTAL NET ASSETS	<u><u>\$ 396,388</u></u>

See notes to financial statements.

STATEMENT OF ACTIVITIES

AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

Year Ended June 30, 2005

		<u>Program Revenues</u>		<u>Governmental</u>
				<u>Activities</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Net (Expense)</u>
		<u>Services</u>	<u>Grants and</u>	<u>Revenue and</u>
			<u>Contributions</u>	<u>Changes in</u>
				<u>Net Assets</u>
FUNCTIONS/PROGRAMS:				
Governmental Activities:				
Instruction and instructional support	\$ 299,389	\$ 1,964	\$ 86,388	\$ (211,037)
Support services	265,025		4,756	(260,269)
Food services	30,518	6,052	13,974	(10,492)
Community service direction	10,225		3,654	(6,571)
Interest on long-term debt	1,504			(1,504)
Transfers to local districts	6,811			(6,811)
Depreciation unallocated	6,866			(6,866)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 620,338</u>	<u>\$ 8,016</u>	<u>\$ 108,772</u>	(503,550)
GENERAL REVENUES:				
Local revenue, unrestricted				38,987
Tax revenue, unrestricted				513,066
Interest and investment earnings				4,206
TOTAL GENERAL REVENUES				<u>556,259</u>
CHANGE IN NET ASSETS				52,709
Net assets at beginning of year				<u>343,679</u>
NET ASSETS AT END OF YEAR				<u>\$ 396,388</u>

See notes to financial statements.

BALANCE SHEET--GOVERNMENTAL FUNDS

AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

June 30, 2005

	General Fund	Special Revenue Food Service Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 223,876	\$ 21,572	\$ 245,448
Due from other governments	25,124	1,342	26,466
Other receivables	210		210
Inventory		92	92
Due from other funds	<u>22,886</u>		<u>22,886</u>
TOTAL ASSETS	<u><u>\$ 272,096</u></u>	<u><u>\$ 23,006</u></u>	<u><u>\$ 295,102</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 2,594		\$ 2,594
Accrued salaries and withholdings	39,529	\$ 9	39,538
Due to other funds		22,886	22,886
Deferred revenue	<u>6,063</u>	<u>92</u>	<u>6,155</u>
TOTAL LIABILITIES	<u>48,186</u>	<u>22,987</u>	<u>71,173</u>
FUND BALANCES			
Undesignated, reported in:			
General Fund	223,910		223,910
Special Revenue Fund	<u></u>	<u>19</u>	<u>19</u>
TOTAL FUND BALANCES	<u>223,910</u>	<u>19</u>	<u>223,929</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 272,096</u></u>	<u><u>\$ 23,006</u></u>	<u><u>\$ 295,102</u></u>

See notes to financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

June 30, 2005

Total governmental fund balance		\$ 223,929
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources; therefore, are not reported as assets in governmental funds. Capital assets at year end consist of:		
Cost of capital assets	\$ 489,879	
Accumulated depreciation	<u>(284,666)</u>	
		205,213
Long-term liabilities are not due and payable in the current period; therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year end consist of:		
Compensated absences	(4,173)	
Installment loan payable	(28,203)	
Accrued interest	<u>(378)</u>	
		<u>(32,754)</u>
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 396,388</u>

See notes to financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES--
GOVERNMENTAL FUNDS

AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

Year Ended June 30, 2005

	General Fund	Special Revenue Food Service Fund	Total Governmental Funds
REVENUES			
Local sources	\$ 557,742	\$ 6,052	\$ 563,794
State sources	45,224	2,172	47,396
Federal sources	38,929	11,802	50,731
Interest on investments	4,206		4,206
Miscellaneous	6,917		6,917
TOTAL REVENUES	653,018	20,026	673,044
EXPENDITURES			
Current:			
Instruction and instructional support services	299,389		299,389
Supporting services	255,362		255,362
Community services	10,225		10,225
Food service		30,518	30,518
Debt service:			
Principal	12,704		12,704
Interest	1,504		1,504
Capital outlay			
TOTAL EXPENDITURES	579,184	30,518	609,702
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	73,834	(10,492)	63,342
OTHER FINANCING SOURCES (USES)			
Transfers to other governmental units	(6,811)		(6,811)
Operating transfers in		10,492	10,492
Operating transfers out	(10,492)		(10,492)
TOTAL OTHER FINANCING SOURCES (USES)	(17,303)	10,492	(6,811)
NET CHANGE IN FUND BALANCES	56,531		56,531
Fund balances at beginning of year	167,379	19	167,398
FUND BALANCES AT END OF YEAR	\$ 223,910	\$ 19	\$ 223,929

See notes to financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

Year Ended June 30, 2005

Net change in fund balances--governmental funds		\$	56,531
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.			
Depreciation expense	\$	(16,524)	
Capital outlay		<u>0</u>	(16,524)
Repayments of long-term debt principal is an expenditure in the governmental funds, but not in the Statement of Activities			<u>12,702</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$	<u>52,709</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

June 30, 2005

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the AuTrain-Onota Public School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local units of government through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, that do not conflict with or contradict GASB pronouncements. The more significant policies established in GAAP and used by the District are discussed below:

Reporting Entity

The District was organized and incorporated under the laws of the State of Michigan to provide educational programs to its residents. A Board of Education is elected by the public to oversee and control the operations of the District.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibilities include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its constituents, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

Based upon the application of the criteria described above, the financial statements of the AuTrain-Onota Public School District contain all the funds controlled by the District's Board of Education as no other entity meets the criteria to be considered a component unit of the District nor is the District a component unit of another entity.

NOTES TO FINANCIAL STATEMENTS--Continued

AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Basic Financial Statements--Government-Wide Financial Statements

The District's basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's instruction, support, and community services are classified as governmental activities. The District does not have any business-type activities.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported as either invested in capital assets, net of related debt, restricted, or unrestricted.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. General government revenues (property taxes, state aid, etc.) support the functions. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues (grants and charges for services), operating and capital grants directly associated with the function.

The government-wide focus emphasizes the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

The District will first apply restricted net assets for expenses incurred for purposes for which both restricted and unrestricted net assets are available.

Basic Financial Statements--Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. The following funds are utilized by the District:

Governmental Funds: The focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

General Fund: The General Fund is the primary operating fund and, accordingly, it is used to account for all financial resources except those accounted for in another fund.

Special Revenue Funds: The Special Revenue Fund is used to account for financial resources that provide hot lunch services.

NOTES TO FINANCIAL STATEMENTS--Continued

AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

The emphasis in fund financial statements is on the major funds. Non-major funds by category are summarized into a single column for presentation. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the government combined) for the determination of major funds. The District's only major fund is the General Fund as the General Fund is always considered to be major.

Basis of Accounting

The basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Government activities in government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; that is, when both measurable and available. "Available" means collectible within the current period or within sixty days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, except for principal and interest on general obligation debt that, if any, is recognized when due.

Cash and Cash Equivalents: The District has defined cash and cash equivalents to include cash on hand, demand deposits, and time deposits with an initial maturity of three months or less.

Deposits and Investments: The District reports its investments in accordance with GASB No. 40, *Deposit and Investment Risk Disclosures*. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified are also disclosed. The District did not have any investments as of June 30, 2005.

NOTES TO FINANCIAL STATEMENTS--Continued

AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, mutual funds composed of investments as described above, and obligations of the State of Michigan or any of its political subdivisions, that at the time of purchase, are rated as investment grade by not less than one standard rating service.

Inventory: Inventory in the School Service Fund consists of expendable food and supplies held for consumption. The inventory, valued at the lower of cost (first-in, first-out) or market, is recorded as an expenditure at the time individual inventory items are used.

Capital Assets: Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets, if any, are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives.

Buildings	50 years
Land improvements	20 years
Machinery and equipment--Buses	8 years

General capital assets are those that result from expenditures in the governmental funds. These assets are reported in the Governmental Activities column of the government-wide Statement of Net Assets, but are reported in the fund financial statements as capital outlay expenditures.

Accrued Liabilities and Long-Term Obligations: Payables and accrued liabilities that will be paid from governmental funds are reported on governmental fund financial statements regardless of whether they will be liquidated with current financial resources. The non-current portion of compensated absences, that will be paid from governmental funds are reported as a liability in fund financial statements only to the extent that they will be paid with current, expendable, available financial resources (generally, within sixty days of year-end). Bonds and other non-current liabilities that will be paid from governmental funds are not recognized as a liability in fund financial statements until due.

NOTES TO FINANCIAL STATEMENTS--Continued

AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Deferred Revenue: The District reports deferred revenue when revenue does not meet both the "measurable" and "available" criteria for recognition in the current period, or when resources are received by the District before it has a legal claim to them, such as when grant money is received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Net Assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted only when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or other government regulation.

Interfund Activity: Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided are treated as revenues and expenditures/expenses. Reimbursement occurs when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Accounts Payable: Amounts due for expenses incurred but not paid as of June 30 are recorded as accounts payable on the balance sheet.

Employee Compensation and Related Liabilities: Payroll and related withholdings, which have been earned by District employees but not paid as of June 30, are recorded as a liability on the District's balance sheet.

Fund Balance: The unreserved fund balances represent the amount available for budgeting future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources." The designated fund balances represent tentative plans for future use of financial resources.

State Revenue: The State of Michigan uses a foundation grant approach that provides for a specific annual amount of revenue per student based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005, the foundation allowance was based on a weighted average of pupil membership counts.

NOTES TO FINANCIAL STATEMENTS--Continued

AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

The state levies an education property tax millage of 6.00 mills (on both homestead and non-homestead property) to fund a portion of the foundation, with the remaining amount earmarked from sales and other taxes. The local portion of the foundation is funded by property taxes levied at a rate of up to 18 mills on non-homestead property. The state revenue is recognized during the foundation period and is funded through payments from October through August.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received that are not expended by the close of the fiscal year are recorded as deferred revenue.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property Tax Revenues: Property taxes levied on June 30 are based on the assessed value of property within the District. Various Townships bill and collect the property taxes for the District. Property taxes are recognized when they are levied because they are considered to be both measurable and available. Proper allowances are made for estimated uncollectible accounts and delinquent accounts.

Accumulated Sick Leave: The District allows administrative personnel, teachers, and support staff to accumulate sick leave. Upon termination employees with ten or more years of service have the option of receiving one month's current pay or their accumulated sick leave at the current substitute teacher rate.

Budgets and the Budgetary Process: The District follows the budgetary process prescribed by provisions of the State of Michigan Uniform Budgeting and Accounting Act, which entails the preparation of budgetary documents within an established timetable. All funds are legally required to be budgeted and appropriated with the exception of fiduciary funds. The legal level of budgetary control has been established at the functional level with modifications made only by a resolution of the Board. At the close of each year, budget appropriations lapse.

NOTES TO FINANCIAL STATEMENTS--Continued

AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

NOTE B--CASH AND EQUIVALENTS

Cash and cash equivalents, included in the basic financial statements as of June 30, 2005, consist of the following:

Fund Financial Statements:	
Cash and cash equivalents	<u>\$ 245,448</u>

Cash and cash equivalents can also be summarized into the following categories:

	<u>Cash & Cash Equivalents</u>
Cash in checking	<u>\$ 245,448</u>

Custodial Credit Risk

At year-end, the carrying amount of the District's deposits with financial institutions was \$245,448 and the balance per bank statement was \$205,543. Of the bank balance, \$100,000 of the District's deposits were insured by the Federal Deposit Insurance Corporation (FDIC). The remaining balance of \$105,543 was uninsured and uncollateralized. Therefore, the District is subject to custodian credit risk. Custodian credit risk is the risk that, in the event of a financial institution failure, the District's deposits may not be returned to it. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are in the opinion of the District subject to minimal credit risk.

The District did not have any investments as of June 30, 2005.

NOTE C--CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Capital assets:				
Land improvements	\$ 10,700			\$ 10,700
Building	378,255			378,255
Vehicles--Buses	100,924			100,924
Subtotal	<u>\$ 489,879</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 489,879</u>
TOTAL CAPITAL ASSETS	<u>\$ 489,879</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 489,879</u>

NOTES TO FINANCIAL STATEMENTS--Continued

AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

NOTE C--CAPITAL ASSETS-Continued

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Accumulated depreciation:				
Land improvements	\$ 10,433	\$ 267		\$ 10,700
Building	209,993	6,599		216,592
Vehicles--Buses	47,716	9,658		57,374
Subtotal	<u>\$ 268,142</u>	<u>\$ 16,524</u>	<u>\$ 0</u>	<u>\$ 284,666</u>
NET CAPITAL ASSETS	<u>\$ 221,737</u>	<u>\$ (16,524)</u>	<u>\$ 0</u>	<u>\$ 205,213</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

Supporting services	\$ 9,658
Unallocated	<u>6,866</u>

TOTAL DEPRECIATION EXPENSE \$ 16,524

NOTE D--DEFERRED REVENUE

Deferred revenue consists of the following at June 30, 2005:

Library Revenue	\$ 396
Excellence in Education	2,316
MAYF summer and fall recreation	1,934
Lunch fund inventory	92
Miscellaneous	<u>1,417</u>
TOTAL DEFERRED REVENUE	<u>\$ 6,155</u>

NOTES TO FINANCIAL STATEMENTS--Continued

AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

NOTE E--TRANSFERS

Amounts transferred to and from various individual funds for the year ended June 30, 2005, are as follows:

<u>Fund</u>	<u>Transfers to Other Funds</u>	<u>Fund</u>	<u>Transfers From Other Funds</u>
General	\$ 10,381	Food Service	\$ 10,381
Food Service	<u>111</u>	General	<u>111</u>
	<u>\$ 10,492</u>		<u>\$ 10,492</u>

NOTE F--MICHIGAN UNIFORM BUDGETING AND ACCOUNTING ACT

The District's budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978) and the budget, as presented, has been amended.

NOTE G--LONG TERM DEBT

A summary of the changes in long-term debt for the year ended June 30, 2005, is as follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>
Long-term debt:				
Compensated absences	\$ 5,323		\$ 1,150	\$ 4,173
Installment loan payable	<u>39,573</u>		<u>12,702</u>	<u>26,871</u>
TOTAL	<u>\$ 44,896</u>	<u>\$ 0</u>	<u>\$ 13,852</u>	<u>\$ 31,044</u>

A schedule of the District's remaining installment loan repayment requirements are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Total</u>
2006	\$ 13,185	\$ 1,021	3.8%	\$ 14,206
2007	<u>13,686</u>	<u>520</u>	3.8%	<u>14,206</u>
TOTALS	<u>\$ 26,871</u>	<u>\$ 1,541</u>		<u>\$ 28,412</u>

NOTES TO FINANCIAL STATEMENTS--Continued

AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

NOTE H--EMPLOYEE RETIREMENT SYSTEM--DEFINED BENEFIT PLAN

The District contributes to the Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor, and disability benefits to public school employees. Eligibility and benefit provisions are governed under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. The annual report may be obtained by writing to the Department of Management and Budget, Office of Retirement Systems, P.O. Box 30673, Lansing, Michigan 48909-8103, or by calling (517) 322-5103.

The District is required by state statute to contribute 12.99 percent of covered payroll from July 1, 2004 to September 30, 2004, and 14.87 percent from October 1, 2004 to June 30, 2005. Contributions to MPERS are determined on an actuarial basis using the entry age normal actuarial cost method. Contribution requirements of plan members, including the District, are established and may be amended only by state statute. The District's contributions to MPERS for the years ending June 30, 2005, 2004, and 2003, were \$42,713, \$38,593, and \$37,811, respectively. Retirement contributions payable at June 30, 2005, 2004, and 2003, of \$3,821, \$3,378, and \$3,178, were remitted shortly after year-end.

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9 percent of gross wages.

The MIP contribution rate was 4.0 percent from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9 percent. Members first hired January 1, 1990, or later and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rate: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000. Basic Plan members make no contributions. Contributions collected and remitted by the District on behalf of MIP members for the year ending June 30, 2005, 2004, and 2003, were \$7,695, \$7,782, and \$8,229, respectively, equal to the required contributions for each year.

Other Post-Employment Benefits

In addition to the pension benefits, MPERS provides comprehensive group medical, hearing, dental, and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPERS is factored into the pension contribution rate.

NOTES TO FINANCIAL STATEMENTS--Continued

AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

NOTE I--RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for its liability and excess liability coverage. The District's liability insurance coverage is limited to \$1,000,000 per occurrence with a maximum of \$3,000,000 for all claims. The District also maintains excess liability coverage of \$1,000,000 per occurrence with a maximum aggregate of \$1,000,000.

Management is unaware of any pending or threatened claims that would not be covered by their policy that are material to the financial statements.

NOTE J--PROPERTY TAXES

The taxable value of real and personal property, which represents approximately 50 percent of the estimated current value, located in the District for the 2005 tax year, totaled \$16,739,561 for homestead and \$27,011,136 for non-homestead. The tax levy of \$486,200 for the year was based on a rate of 18.00 mills on non-homestead property (one mill is equal to \$1.00 per \$1,000 of taxable value) and is remitted to the District's General Fund by the taxing unit.

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL--GENERAL FUND

AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources	\$ 516,718	\$ 561,027	\$ 561,948	\$ 921
State sources	15,100	39,701	45,224	5,523
Federal sources	8,700	39,597	38,929	(668)
Other sources		6,917	6,917	
TOTAL REVENUES	540,518	647,242	653,018	5,776
EXPENDITURES				
Current:				
Instruction	306,093	299,598	299,389	209
Supporting services	275,034	270,663	269,570	1,093
Community service direction	5,280	10,749	10,225	524
TOTAL EXPENDITURES	586,407	581,010	579,184	1,826
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(45,889)	66,232	73,834	7,602
OTHER FINANCING SOURCES (USES)				
Transfer to other Governmental Units		(13,000)	(6,811)	6,189
Transfer to other funds (net)	(13,117)	(10,651)	(10,492)	159
TOTAL OTHER FINANCING SOURCES (USES)	(13,117)	(23,651)	(17,303)	6,348
NET CHANGE IN FUND BALANCE	(59,006)	42,581	56,531	13,950
Fund balance at beginning of year	167,379	167,379	167,379	
FUND BALANCE AT END OF YEAR	\$ 108,373	\$ 209,960	\$ 223,910	\$ 13,950

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL--SPECIAL REVENUE--FOOD SERVICE FUND

AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources	\$ 4,125	\$ 6,052	\$ 6,052	
State sources	1,800	2,172	2,172	
Federal sources	10,750	11,580	11,802	\$ 222
TOTAL REVENUES	16,675	19,804	20,026	222
EXPENDITURES				
Food service	29,792	30,454	30,518	64
TOTAL EXPENDITURES	29,792	30,454	30,518	64
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,117)	(10,650)	(10,492)	158
OTHER FINANCING SOURCES (USES)				
Transfer to other funds (net)	13,117	10,651	10,492	\$ 159
TOTAL OTHER FINANCING SOURCES (USES)	13,117	10,651	10,492	\$ 159
NET CHANGE IN FUND BALANCE		1		(1)
Fund balance at beginning of year		19	19	19
FUND BALANCE AT END OF YEAR	\$ 0	\$ 20	\$ 19	\$ 1

OTHER INFORMATION



MAKELA, TOUTANT, HILL & NARDI, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

201 West Bluff Street
Marquette, Michigan 49855

Members
American Institute of CPA's
Michigan Association of CPA's

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
AuTrain-Onota Public School District
Deerton, Michigan

We have audited the financial statements of governmental activities, each major fund, and the aggregate remaining fund information of the AuTrain-Onota Public School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered AuTrain-Onota Public School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition, in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AuTrain-Onota Public School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



-28-

Our goal is to help you meet yours!

◆ Phone: (906) 228-3600 ◆ Fax: (906) 228-3113 ◆ Wats: (800) 228-0554 ◆ E-Mail: mthn@mthn.com ◆

Board of Education
AuTrain-Onota Public School District

This report is intended solely for the information of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

Makela, Toutant, Hill + Nardi, P.C.

September 15, 2005